

2008 AIPLA Conference

Consent to Peer-to-Patent Pilot Participation

Expand Your Mind, Expand the Pilot

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Consent to Participation

- **Mechanics of Consent:**
 - Form: www.uspto.gov/web/patents/peerpriorartpilot/consent.pdf
 - Two parts:
 1. Request to participate in pilot:
 - written consent under 35 USC 122 (c) for office to accept 3rd party prior art submissions in examination of your case)
 - Waiver of 37 CFR Regs, particularly Rule “99” (37 CFR 1.99(d)) for participating in the pilot



Consent to Participation

- **Part 2: Additional Conditions:**

- App has not been published more than 1 month prior to request
- Claimed subject matter in 2100 (*for now...*)
- Full participation and the number of other apps submitted (limit of 15).

- **Consent encompasses:**

- Up to ten patents by a 3rd Party submitter and comments describing the relevance
- Filing of submission no later than 18 weeks after publication of App
- No IDS needs be submitted by Applicant to ensure consideration of 3rd Party submitted references



Why Consent? Why Expand?

“Nobody goes there anymore: it’s too crowded”

-- Yogi Berra

- Exceedingly long pendency times decouple the rights procurement process from the commercial adoption of the covered product/service in the market.
- ***Pilot fix***: guaranteed advancement to the top of the Examiner’s queue and ultimately expedited prosecution of the application

....review in less than 1 year.



Class 705 Expansion

Software and technology developed in the financial services:

- **Great fit for the pilot:**
 - Financial services is one of the most innovative sectors in the economy, yet
 - One of the most difficult areas to locate relevant prior art



The War for Talent

- Rich Karlgaard (Forbes, 1997) on Bill Gates:

"Halfway through the flight, *Mr. Gates* closed the book, shut his computer off and we talked. *Out of nowhere, he told me that he had recently figured out who his competition was.*

It was not Apple, Lotus or IBM. He waited a couple of beats. It's Goldman Sachs.

"Is this a scoop? Is Microsoft getting into investment banking?"

"No," he said. "I mean the competition for talent. It's all about IQ. You win with IQ. Our only competition for IQ is the top investment banks." During that trip, I must have heard Mr. Gates mention "IQ" a hundred times.



Our Industry Generates Substantial IP

- “We build more software than we buy”
 - Randy Cowen, CIO *Waters* (2005)
- Our proprietary derivatives pricing and risk systems may be the most important and valuable IP in the firm (40MM + lines of code)
 - Developed as a front-office tool that allows sales and trading to structure complicated transactions (e.g. commodity-linked trades that knock out on a foreign exchange price).
 - Strategist and traders sit together
 - Allows front-office staff to model, value and book a transaction all on one system
 - Then permits trader put appropriate hedge positions in place



Technology Deployed to Risk Management

• Punk Ziegel Analyst Dick Bove Upgrades Goldman Sachs, Says Systems Shield It From Risk

NEW YORK (AP 11/12/07) -- Punk Ziegel analyst Richard X. Bove upgraded Goldman Sachs Group Inc. on Monday, saying the investment bank **has superior software and systems shielding the company from risk**. Goldman Sachs is the **only major investment bank** whose stock is up this year.

- "The risk management systems at this company appear to have been effective in allowing Goldman to avoid the worst of the write-downs that others are announcing daily," Bove said. "**Goldman has a better system, and therefore is at lower risk than its counterparts.**"
- Bove said Goldman's **databases of information** about stocks, bonds, currencies and commodities -- which help the company make decisions about how certain investments are likely to behave -- **go back a long way and have an unusual amount of detail.**



Emerging Industry View

- **While a ‘subject matter’ consensus is lacking, a developing theme/niche is that patents can readily:**
 - Promote transparency
 - Allow ‘brick & mortar’ competitors to become virtual partners to develop structural integrity for new and emerging markets, and thus,
 - Help create better broker competition in trading, pricing and market depth



Peer Filing in Support of an Industry Platform

- **Market Structure Consortia/Joint Ventures**
 - Driver:
 - Process and integrity of information handling and market efficiencies that we can all do better together than independently....
 - Tradable Unregistered Equity
 - “Bringing liquidity and transparency to a market that so far has been opaque.” Bob Greifeld, NASDAQ Reuters, Nov. 12. 2007
 - Industry wide solution, contribution of the rights surrounding the platform to consortia

Pilot Filing

- Broad participation in the process
- Transparency in rights, but maintaining proprietary rights with the disclosure
- Via disposition of the application within 1 year – ***the rights will be relevant to the developing commercial marketplace:***
 - Vs. 4 year pendency?
 - Vs. 5 year pendency?
 - Vs. what confidence in the traditional, non community review process?

11

A Compelling Rationale to Consent

- **Like the ‘time value’ of money, there is a time value of rights-procurement:**
 - Rapid disposition under the pilot is the only opportunity in certain classes to correlate the rights-grant process with the commercial marketplace
 - For certain financial industry-implemented technologies, the peer-pilot may present the only meaningful examination process in a meaningful time frame.
- ***Jump-in, the water’s fine....***

12